

UNCLASSIFIED  
UNCLASSIFIED

T65

Brian R Naranjo 02/28/2002 06:00:49 PM From DB/Inbox: Brian R Naranjo

RELEASED IN PART  
B1, 1.4(D)

Cable Text:  
UNCLASSIFIED  
TELEGRAM

February 28, 2002

To: SECSTATE WASHDC - IMMEDIATE  
Action: WHA  
From: AMEMBASSY CARACAS (CARACAS 500 - IMMEDIATE)  
TAGS: ECON, EPET, ENRG, VE  
Captions: SENSITIVE  
Subject: PDVSA IN REVOLT!  
Ref: None

*Chavez*

1. (U) This message is Unclassified but Sensitive. Please handle accordingly.

2. (U) Summary: Gaston Parra Luzardo's designation as the fourth President of Petroleos de Venezuela S.A. (PDVSA) during the three-year term of the Chavez presidency has unleashed a firestorm of controversy. General Lamada had added to it with frank statements in the press on the current state of PDVSA and the Venezuelan economy. PDVSA employees are publicly protesting Chavez's change in leadership at the company. End summary.

LAMADA'S SWANSONG

3. (U) Gaston Parra was sworn in as PDVSA President in a late afternoon ceremony on February 13. Hours before, General Guacaipuro Lamada took an emotional leave from PDVSA after offering a farewell press conference. In this and subsequent press conferences [redacted] Lamada confirmed that in 2001 PDVSA stumped up some \$12 billion to the GOV, of which \$7.2 billion was through income taxes and royalty payments and \$4.8 billion in dividends. Expanding on this theme, Lamada noted that PDVSA has also had to absorb the cost of the GOV's internal market pricing policy, subsidizing the value of fuel such that it is sold cheaper than the actual production cost. As a result, internal demand for fuels has increased, at an expense to PDVSA of valuable exports. He estimated the cost to PDVSA at \$400 million annually.

B1

B1

UNCLASSIFIED

1

UNITED STATES DEPARTMENT OF STATE  
REVIEW AUTHORITY: JOHN L MILLS  
DATE/CASE ID: 06 JUN 2006 200304421

UNCLASSIFIED

6481

UNCLASSIFIED  
UNCLASSIFIED

[REDACTED]  
PARRA'S PUBLIC FACE  
-----

6. (U) In his first public comments, Parra said he is considering revamping the company to cut costs and that he would review PDVSA's international operations. He added that private domestic capital should be allowed greater participation in the company's oil operations. These rather anodyne comments, however, were offset by his performance in front of the National Assembly on February 21 in which he made a highly political speech with a strong injection of Chavista rhetoric.

THE NEW BOARD  
-----

7. (U) The new PDVSA Board was named on February 25 and includes several members considered by an official at the Venezuela Petroleum Chamber to be "taliban," ("taliban" is generally considered to refer to a leftist Chavez supporter). Only two members of the current Board have been reappointed: Vice President Jorge Kankoff and Director and retired General Arnoldo Rodriguez Ochoa. Vice Presidents Karl Maseika, Vicenzo Paglione and Eduardo Praselj, all well respected professionals, have been removed. Other members of the new Board include Alfredo Riera, currently Director General of Bitum; Luis Davila, currently PDVSA Finance Director; Carlos Mendoza Potella, former Venezuelan Ambassador to Saudi Arabia; Argenis Rodriguez, a geophysics expert

from Intevop who is said to be close to Ali Rodriguez; Jesus Villanueva, Chief PDVSA Auditor; Felix Rodriguez, current manager of the PDVSA Lagunillas District in the State of Zulia; Rafael Ramirez, Enagas President; and Clara Coro, current director of Hydrocarbons Economy and Planning at the MEM. The official at the Petroleum Chamber identified the "taliban" members as Carlos Mendoza Potella, Luis Davila, Jesus Villanueva and Clara Coro.

PDVSA SPEAKS OUT  
-----

9. (U) PDVSA itself has gone to unprecedented lengths in the past week to make known its dissatisfaction with the new regime, particularly what it perceives to be a threat against the traditional meritocracy of the company. In a welcome dinner for Parra held in PDVSA's cafeteria the night of February 12, employees reportedly held a make-shift "cacerolazo" protest, i.e. banging their cutlery. Several employees protested outside PDVSA at the end of the week and on Monday, February 25, virtually the entire senior management of the company joined in signing an unprecedented public petition entitled "Let's Save PDVSA" ("Salvaguardemos PDVSA"). This document states in part, "We recognize the right of the legally constituted government ...to designate the PDVSA Board. At the same time, we reject the break in the meritocracy, which has been the essential foundation for the professional and technical structures of this institution. The substitution of a hierarchy of knowledge and professional merit...for a hierarchy of political affinity or apparent belief in a (political) faction or ideology will break discipline and internal coherence." So far, over 13,000 PDVSA rank and file employees have signed petitions in support of senior management.

COMMENT  
-----

10. (SBU) Given the important role it plays in the Venezuelan economy and society, it is hardly surprising that PDVSA and its employees are being sucked into the on-going political ferment.

[REDACTED]

UNCLASSIFIED

UNCLASSIFIED

UNCLASSIFIED  
UNCLASSIFIED

COOK

Additional Addressees:  
None

CC:

AMEMBASSY MEXICO  
AMEMBASSY PORT OF SPAIN  
AMEMBASSY BRASILIA  
AMEMBASSY QUITO  
AMEMBASSY LIMA  
AMEMBASSY BOGOTA  
OPEC COLLECTIVE

Distribution:

TED3896  
ACTION WHA-00

INFO	LOG-00	NP-00	AID-00	CEA-01	CIAE-00	CTME-00	DINT-00
	DODE-00	ITCE-00	DOTS-00	SRPP-00	EB-00	EXME-00	E-00
	FAAE-00	UTED-00	VC-00	FRB-00	H-01	TEDE-00	INR-00
	ITC-01	L-00	VCE-00	AC-01	NSAE-00	NSCE-00	OES-01
	OMB-01	OPIC-01	PC-01	PM-00	PRS-00	ACE-00	SP-00
	SSO-00	SS-00	STR-00	TEST-00	TRSE-00	USIE-00	EPAE-00
	PMB-00	DRL-02	G-00	NPAT-00	SAS-00	/010W	

-----6D8B8F 282146Z /38

O 282136Z FEB 02  
FM AMEMBASSY CARACAS  
TO SECSTATE WASHDC IMMEDIATE 4902  
INFO USDOC WASHDC IMMEDIATE  
DOE WASHDC IMMEDIATE  
AMEMBASSY MEXICO  
AMEMBASSY PORT OF SPAIN  
AMEMBASSY BRASILIA  
AMEMBASSY QUITO  
AMEMBASSY LIMA  
AMEMBASSY BOGOTA  
OPEC COLLECTIVE

UNCLAS CARACAS 000500

SENSITIVE

E.O. 12958:N/A  
TAGS: ECON, EPET, ENRG, VE  
SUBJECT: PDVSA IN REVOLT

End Cable Text

Brian R Naranjo 02/28/2002 06:00:49 PM From DB/Inbox: Brian R Naranjo

UNCLASSIFIED  
3

UNCLASSIFIED